

FY 2011 GANN LIMIT

**TEN-YEAR HISTORY OF PRICE AND POPULATION FACTORS &
TAX APPROPRIATIONS LIMITS ⁽¹⁾
FOR FISCAL YEARS 2001 to 2011**

Fiscal Year	Price Adjustment Population Adjustment Total Adjustment					Appropriations Limit ⁽²⁾
2002	1.0782	X	1.0196	=	1.0993	\$603,258,862
2003	1.1138	X	1.0180	=	1.1338	\$684,004,095
2004	1.1113	X	1.0172	=	1.1304	\$773,224,963
2005	1.0885	X	1.0152	=	1.1050	\$854,441,087
2006	1.0837	X	1.0127	=	1.0975	\$937,726,649
2007	1.0435	X	1.0094	=	1.0533	\$987,756,891
2008	1.0519	X	1.0122	=	1.0647	\$1,051,667,005
2009	1.1083	X	1.0134	=	1.1232	\$1,181,182,812
2010	1.1606	X	1.0154	=	1.1785	\$1,392,023,944
2011	0.9746	X	1.0141	=	0.9883	\$1,375,737,264

- (1) In 1980, the State Legislature added Division 9 to Title I of the Government Code to implement Article XIII B. This legislation required the governing body of each local jurisdiction in California to establish a tax appropriations limit on or before June 30 of each year for the following fiscal year, pursuant to which the City of San Diego has been establishing this limit since 1981.
- (2) Beginning in Fiscal Year 2009, the calculation to determine the Gann Limit is based on the City's new non-residential assessed valuation data. From Fiscal Year 2004 through 2008, the County's data was used. This change does not affect the City's compliance with the Tax Appropriations Limit in prior years. This table shows the corrected price adjustments and appropriations limits based on City data. Appropriation limits shown for 2004 – 2008 are corrected amounts based on City data.

ALTERNATIVE ADJUSTMENT FACTORS

Under Proposition 111, there are two options available for each of the major adjustment factors. The values of these factors for the purpose of calculating the Fiscal Year 2011 adjustment are as follows:

Price Factors:

- (A) Percent growth in State per Capita Personal Income: -2.54%
(Source: Dept of Finance, California-Attachment 2A-2)

Price Factor A **0.9746**

- (B) Percent change in Assessed Valuation in new non-residential construction: -82.37%
(Source: San Diego County Assessor's Office-Attachment 2B)

Price Factor B **0.1763**

Population Factors:

- (C) Percent growth in County Population: +1.41%
(Source: Dept of Finance, California-Attachment 2A-3)

Population Factor C **1.0141**

- (D) Percent growth in City Population: +1.24%
(Source: Dept of Finance, California-Attachment 2A-3)

Population Factor D **1.0124**

Annual Adjustment Factors:

Based upon the actual data, the four alternative adjustment factors are as follows:

$$(A \times C) = (0.9746) \times (1.0141) = 0.9883 \text{ (rounded to 4 decimal places)}$$

$$(A \times D) = (0.9746) \times (1.0124) = 0.9867$$

$$(B \times C) = (0.1763) \times (1.0141) = 0.1788$$

$$(B \times D) = (0.1763) \times (1.0124) = 0.1785$$

The recommended limit was calculated using the adjustment factor “(A x C)”, resulting in a 1.2% decrease to the annual Tax Appropriations Limit. Of the 4 adjustment factors above, 1.2% represents the smallest allowable decrease to the appropriation limit.

Calculation of the Fiscal Year 2011 Limit:

$$\begin{aligned} \text{Fiscal Year 2011 Limit} &= (\text{FY 2010 Limit}) \times (\text{Recommended Adjustment Factor}) \\ &= (\$1,392,023,944) \times (0.9883) = \mathbf{\$1,375,737,264} \end{aligned}$$



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Dear Fiscal Officer:

Subject: Price and Population Information**Appropriations Limit**

The California Revenue and Taxation Code, Section 2227, mandates the Department of Finance (Finance) to transmit an estimate of the percentage change in population to local governments. Each local jurisdiction must use their percentage change in population factor for January 1, 2010, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2010-2011. Enclosure I provides the change in California's per capita personal income and an example for utilizing the price factor and population percentage change factor to calculate the 2010-2011 appropriations limit. Enclosure II provides city and unincorporated county population percentage changes, and Enclosure IIA provides county's and incorporated area's summed population percentage changes. The population percentage change data excludes federal and state institutionalized populations and military populations.

Population Percent Change for Special Districts

Some special districts must establish an annual appropriations limit. Consult the Revenue and Taxation Code, Section 2228 for further information regarding the appropriation limit. You can access the Code from the following website: "<http://www.leginfo.ca.gov/calaw.html>" check box: "Revenue and Taxation Code" and enter 2228 for the search term to learn more about the various population change factors available to special districts to calculate their appropriations limit. Article XIII B, Section 9(C), of the State Constitution exempts certain special districts from the appropriations limit calculation mandate. Consult the following website: "http://www.leginfo.ca.gov/const/article_13B" for additional information. Special districts required by law to calculate their appropriations limit must present the calculation as part of their annual audit. Any questions special districts have on this issue should be referred to their respective county for clarification, or to their legal representation, or to the law itself. No State agency reviews the local appropriations limits.

Population Certification

The population certification program applies only to cities and counties. Revenue and Taxation Code Section 11005.6 mandates Finance to automatically certify any population estimate that exceeds the current certified population with the State Controller's Office. **Finance will certify the higher estimate to the State Controller by June 1, 2010.**

Please Note: Prior year's city population estimates may be revised.

If you have any questions regarding this data, please contact the Demographic Research Unit at (916) 323-4086.

May 2010

Enclosure I

- A. **Price Factor:** Article XIII B specifies that local jurisdictions select their cost-of-living factor to compute their appropriation limit by a vote of their governing body. The cost-of-living factor provided here is per capita personal income. If the percentage change in per capita personal income is selected, the percentage change to be used in setting the 2010-2011 appropriation limit is:

Per Capita Personal Income	
Fiscal Year (FY)	Percentage change over prior year
2010-2011	-2.54

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2010-2011 appropriation limit.

2010-2011:

Per Capita Cost of Living Change = -2.54 percent
Population Change = 1.03 percent

Per Capita Cost of Living converted to a ratio: $\frac{-2.54 + 100}{100} = .9746$

Population converted to a ratio: $\frac{1.03 + 100}{100} = 1.0103$

Calculation of factor for FY 2010-2011: $.9746 \times 1.0103 = .9846$

Enclosure II
Annual Percent Change in Population Minus Exclusions
January 1, 2009 to January 1, 2010 and Total Population, January 1, 2010

County City	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total Population</u>
	2009-2010	1-1-09	1-1-10	1-1-2010
San Diego				
Carlsbad	1.66	105,055	106,804	106,804
Chula Vista	1.56	233,692	237,329	237,595
Coronado	1.64	19,065	19,377	23,916
Del Mar	1.11	4,609	4,660	4,660
El Cajon	1.14	98,512	99,637	99,637
Encinitas	1.21	64,393	65,171	65,171
Escondido	1.46	145,388	147,514	147,514
Imperial Beach	1.16	28,351	28,680	28,680
La Mesa	1.85	57,096	58,150	58,150
Lemon Grove	1.49	25,748	26,131	26,131
National City	3.91	54,153	56,272	57,799
Oceanside	1.51	180,376	183,095	183,095
Poway	1.43	51,322	52,056	52,056
San Diego	1.24	1,348,307	1,365,036	1,376,173
San Marcos	1.11	83,468	84,391	84,391
Santee	1.72	57,064	58,044	58,044
Solana Beach	1.35	13,600	13,783	13,783
Vista	1.10	96,455	97,513	97,513
Unincorporated	1.52	449,489	456,308	503,320
County Total	1.41	3,116,143	3,159,951	3,224,432

(*) Exclusions include residents on federal military installations and group quarters residents in state mental institutions, state and federal correctional institutions and veteran homes.

FISCAL YEAR 2011 ADJUSTMENT FACTORS

PRICE FACTOR (A)

Percent growth in State Per Capita Personal Income
(2010-2011)

Price Factor = -2.54

Price Factor converted to ADJUSTMENT Factor = (price factor + 100)/100

Adjustment Factor (A) = (C5+ 100)/100

A = 0.9746

PRICE FACTOR (B)

	Total Assessed Valuation	Change in AV	New non-residential construction
2008	\$178,483,071,484		
2009	\$177,064,167,663	(\$1,418,903,821)	\$1,168,728,741

Price Factor = New non-residential construction/Change in AV *100
-82.3684

Price Factor converted to ADJUSTMENT Factor = (price factor + 100)/100

Adjustment Factor (B) = (C18+ 100)/100

B = 0.1763

POPULATION FACTOR (C)

Percent growth in County Population = 1.41

Population Factor converted to ADJUSTMENT Factor = (population factor + 100)/100

Adjustment Factor (C) = (C27+ 100) / 100

C = 1.0141

POPULATION FACTOR (D)

Percent growth in City Population = 1.24

Population Factor converted to ADJUSTMENT Factor = (population factor + 100)/100

Adjustment Factor (D) = (C35 + 100) /100

D = 1.0124

ANNUAL ADJUSTMENT FACTORS

(A x C) Income x Cnty Pop	0.9883	High Value
(A x D) Income x City Pop	0.9867	
(B x C) Non-residential x Cnty Pop	0.1788	
(B x D) Non-residential x City Pop	0.1785	Low Value

FY 2010 GANN Limit	'1'	\$1,392,023,944
Annual Adjustment factor	'2'	0.9883
FY 2011 GANN Limit	'1x2'	\$1,375,737,264

**ASSESSED VALUATION ATTRIBUTABLE TO
NEW NON-RESIDENTIAL CONSTRUCTION**

Percent change in Assessed Valuation in new non-residential construction within the City

$$= \frac{\text{New non-residential construction}^1}{\text{Change in assessed valuation (CY 2008 to CY 2009)}^2} \times 100$$

$$= \frac{\$1,168,728,741}{(\$1,418,903,821)} \times 100$$

$$= (0.8237) \times 100$$

$$= (82.37\%)$$

¹ Source: San Diego County Assessor's Office

² Source: San Diego County Assessor's Office

Assessed Valuation for Calendar Year 2009 = \$177,064,167,663

Assessed Valuation for Calendar Year 2008 = \$178,483,071,484

Change in Assessed Valuation = Assessed Valuation for 2009 - Assessed Valuation for 2008

= \$177,064,167,663 - \$178,483,071,484

= (\$1,418,903,821)

FY 2011 TAX APPROPRIATIONS SUBJECT TO THE GANN LIMIT

Appropriations Subject to the Gann Limit *			
Property Tax		\$	390,060,910
Property Tax (1)			9,888,717
Sales Tax			187,471,361
Safety Sales Tax			6,286,820
Transient Occupancy Tax (TOT)			126,219,846
Property Transfer Tax			4,685,604
Business Tax			6,298,068
Rental Unit Taxes			5,245,000
Vehicle License Fee (2)			3,142,922
Interest Earnings			1,655,994
Total Unadjusted Appropriations subject to the Limit	[A]	\$	740,955,242
Adjustment for appropriations not subject to the Gann Limit *			
<u>Annual Debt Service for Voter Approved Debt (G.O. Bonds)</u>			
1991 Public Safety Communication Bonds (3)		\$	2,318,785
Total Annual Debt Service for Voter Approved Debt	[B]	\$	2,318,785
<u>Qualified Capital Outlays</u>			
1996A Balboa Park/Mission Bay Park Certificates of Participation		\$	3,531,735
1996B Balboa Park/Mission Bay Park Refunding Certificates of Participation (4)			428,557
1998 Convention Center Expansion Lease Revenue Bonds (5)			9,198,088
2002B Fire and Life Safety Facilities Project Phase I			1,626,945
2003 City/MTDB Refunding Bonds – Old Town Light Rail Transit Extension			1,156,324
2003 Balboa Park/Mission Bay Park Refunding Certificates of Participation			756,454
2007A Ballpark Refunding Bonds (6)			-
2009A Refunding Debt Service Deferred CIP Bonds (4)			6,921,820
Total Qualified Capital Outlays	[C]	\$	23,619,923
Total Adjustment	[D = B+C]	\$	25,938,708
Total Adjusted Appropriations subject to the limit	[E = A-D]	\$	715,016,534
Calculation of the Gann Limit and the Gap			
Prior Year (FY 2010) Gann Limit	[F]	\$	1,392,023,944
Adjustment Factor	[G]		0.9883
Gann Limit for FY 2011	[H = F*G]	\$	1,375,737,264
Projected appropriations are below the limit by:	[I = H-E]	\$	660,720,730

(1) Ad Valorem Tax imposed for Zoological Exhibits (\$8,024,409) & Public Safety Communication Bonds (\$1,864,308).

(2) Revenues from Motor Vehicle License Fees are revenues from the State and are subject to the limit.

(3) The annual debt service for the Public Safety bonds is not subject to the limit as it is a voter approved debt.

(4) Reflects debt service amounts for 2010A Lease Revenue Refunding Bonds.

(5) \$4.5 million, the annual amount paid by the Port Authority, has been deducted from the total debt service. The agreement between the City and the Port Authority ends in FY 2015.

(6) Centre City Development Corporation/Redevelopment Agency contributes entire debt service amount until FY 2014.

* Source: FY 2011 Proposed Budget.